

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature	Printed Name		License Number	

Shepherd Tri-Township Fire Department

Financial Statements

November 30, 2007



Shepherd Tri-Township Fire Department
Financial Statements
November 30, 2007

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Independent Auditor's Report

Shepherd Tri-Township Fire Department
Isabella County, Michigan

We have audited the accompanying financial statements of each major fund of the Shepherd Tri-Township Fire Department (the Department) as of and for the year ended November 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Department prepared these financial statements using the minimum accounting practices prescribed by the Michigan Department of Treasury to demonstrate compliance with the State's accounting and budget laws, which practices differ from accounting principles generally accepted in the United States of America. The differences in presentation allowed by the State and that of accounting principles generally accepted in the United States of America are also described in Note 1.

In our opinion, because of the effects of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States, the financial position of the Department as of November 30, 2007.

However, in our opinion, the financial statements presented do present fairly, in all material respects, the minimum presentation allowed by the State of Michigan for each of its major funds for the Department as of and for the year ended November 30, 2007.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 25, 2008, on our consideration of the Department's internal control structure over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Roslund, Prestage & Co, PC".

Roslund, Prestage & Company, P.C.
Certified Public Accountants

February 25, 2008

Shepherd Tri-Township Fire Department
Balance Sheet
Governmental Funds
November 30, 2007 and 2006

	General Fund	
	2007	2006
<u>Assets</u>		
Cash and cash equivalents	\$189,846	\$155,927
Cash and cash equivalents - restricted	135,365	-
Investments	24,281	23,262
Accounts receivable	-	524
Prepaid expenses	58	-
Total assets	<u>\$349,550</u>	<u>\$179,713</u>
<u>Liabilities</u>		
Accounts payable	<u>\$9,586</u>	<u>-</u>
<u>Fund Balances</u>		
Reserved for:		
Equipment installation and truck replacement	135,365	-
Unreserved	<u>204,599</u>	<u>\$179,713</u>
Total Fund Balances	<u>339,964</u>	<u>179,713</u>
Total liabilities and fund balances	<u>\$349,550</u>	<u>\$179,713</u>

See accompanying notes to financial statements.

Shepherd Tri-Township Fire Department
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
Years Ended November 30, 2007 and 2006

	General Fund	
	2007	2006
Revenues		
Charges for services	\$68,937	\$79,267
Contribution from local units	150,960	143,785
Contribution from Tribe	137,920	-
Interest	7,481	5,673
Gain on investment	896	2,613
Other revenues	530	1,403
Total revenues	366,724	232,741
Expenditures		
Public Safety		
Building and grounds	3,133	4,036
Computer software support	1,000	1,000
Equipment installation	2,555	-
Gas and fuel	5,991	5,894
Insurance	36,250	34,549
Miscellaneous	1,330	1,535
Professional services	2,055	1,400
Repairs and maintenance	23,291	25,089
Salaries and payroll taxes	91,914	99,820
Supplies	10,194	11,900
Small equipment	13,057	11,518
Training	5,223	5,436
Uniforms	2,388	1,959
Utilities	8,092	10,160
Total expenditures	206,473	214,296
Excess of revenues over (under) expenditures	160,251	18,445
Fund balance, beginning of year	179,713	161,268
Fund balance, end of year	\$339,964	\$179,713

See accompanying notes to financial statements.

Shepherd Tri-Township Fire Department
Notes To The Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of Shepherd Tri-Township Fire Department (the Department) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units, except as described below. The following is a summary of the significant accounting policies used by the Department.

Reporting Entity

The Department is governed by a Board consisting of eight members and provides services to four local units of government. The accompanying financial statements present only the primary government as the Department does not have any component units.

Joint Venture

The Department is a result of a joint venture entered into by the Village of Shepherd, Chippewa Township, Lincoln Township, and Coe Township and provides fire and rescue services to residents of these and other local areas. The participants provide annual funding for its operations.

The local units' interest in Shepherd Tri-Township Fire Department is determined by the average of the ratios of taxable values and of population figures on each local unit.

For the Shepherd Tri-Township Fire Department year ended November 30, 2007, Village of Shepherd, Chippewa Township, Lincoln Township and Coe Township's interests in Shepherd Tri-Township Fire Department, based on the formula discussed above, is 14%, 45%, 23%, and 18%, respectively.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments sets forth the required financial reporting formats for local governments in accordance with generally accepted accounting principles. The Local Audit and Finance Division of the Michigan Department of Treasury is responsible for overseeing local unit compliance. Per the Michigan Committee on Governmental Accounting and Auditing Statement No. 7, issued by the State Treasurer, omission of the Management's Discussion and Analysis, the Government-Wide Statements and/or Infrastructure Reporting will not result in any sanctions or remediation. As such, the Department has elected to omit these sections of the GASB 34 reporting format.

Shepherd Tri-Township Fire Department
Notes To The Financial Statements

Governmental Fund Financial Statements - The Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Department reports the following major governmental funds:

The General Fund is the Department's primary operating fund. It accounts for all financial resources of the Department, except those required to be accounted for in another fund.

Budgets and Budgetary Accounting

An annual budget is adopted by the Department for the general fund. The budget is adopted and prepared on the modified accrual basis of accounting. The budget is adopted at the line item level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

The Department does not maintain a formalized encumbrance accounting system.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments

The Department's cash and cash equivalents are considered to be cash on hand, money market funds, demand deposits and certificates of deposit. Investments held by the Department were donated in a prior year.

Inventories and Prepaid Expenditures

Inventories, which are immaterial in amount, are not recognized as an asset in these financial statements. Inventories are recorded as expenditures at the time of purchase in the governmental fund type. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

Shepherd Tri-Township Fire Department
Notes To The Financial Statements

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for the general fund. All annual appropriations lapse at fiscal year end.

Excess of Expenditures over Appropriations

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the fiscal year-end, the Department incurred expenditures in excess of the amounts appropriated as shown on the back of this report.

Shepherd Tri-Township Fire Department
Notes To The Financial Statements

NOTE 3 – DETAIL NOTES

Cash and Cash Equivalents

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Department's deposits might not be recovered. At November 30, 2007, the carrying amount of the Department's deposits was \$325,211, and the bank balance was \$334,222. Of the bank balance, \$100,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. Deposits which exceed FDIC insurance coverage limits are held at local banks. The Department believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Department evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

Investments

Interest Rate Risk. State law limits the maturity of investments in commercial paper to not more than 270 days. The Department does not have a formal investment policy that further limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State statutes limit investments in commercial paper to be rated at the time of purchase within the three highest classifications established by not less than two standard rating services. Investments in obligations of the State of Michigan or its political subdivisions must be rated as investment grade by not less than one rating service. Investments in bonds, obligations, or repurchase agreements must be made with the U.S. Treasury and banker's acceptances with United States banks. The Department has no investment policy that would further limit its investment choices. As of November 30, 2007, the Department's investment in the RVS Balanced Fund, Class A mutual fund, which was donated to the Department in a prior year, was rated one star by Morningstar Ratings.

Concentration of Credit Risk. The Department places no limits on the amount they may invest in any one issuer.

The Department's investments held at November 30, 2007 are as follows:

Investment	Carrying Value	Market Value
RVS Balanced Fund, Class A	\$24,281	\$24,281

Shepherd Tri-Township Fire Department
Notes To The Financial Statements

Capital Assets

Capital assets of the Department for the current year are as follows:

Governmental Activities	Beginning Balance	Additions	Disposals	Ending Balance
Building	\$89,390	-	-	\$89,390
Equipment	7,500	-	-	7,500
Inland Marine	145,800	-	-	145,800
Technology	4,500	-	-	4,500
Vehicles	1,543,000	-	-	1,543,000
Sub-totals	\$1,790,190	-	-	\$1,790,190

This listing of capital assets was prepared by the Mid-America Appraisal Company for the Department and was not tested for accuracy or completeness by the auditors.

Charges for Services

Another source of revenue for the Department is derived from charges for services. This revenue source consists of fees charged per incident, where each township is charged a predetermined fee for fire and rescue runs in order to cover the expenses of that run. Charges for services for the year totaled \$68,937.

Contributions from Local Units

The main source of revenue for the Department consists of contributions from local units. This source of revenue is derived from funds contributed by the Village of Shepherd, Chippewa Township, Lincoln Township and Coe Township, the members of the joint venture, and is intended to cover overhead and to fund future equipment replacements. Contributions from local units for the year totaled \$150,960.

Tribal Grant

During the 2007 fiscal year, the Department received a Tribal Grant to be used for the installation of equipment and the replacement of a fire truck. As of November 30, 2007, the amount of the grant not yet expended has been reserved on the financial statements.

Shepherd Tri-Township Fire Department
Notes To The Financial Statements

Risk Management

The Department is a member of a self insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. The purpose of the association is to administer a risk management fund which protects members with loss protection for general and auto liability, motor vehicle physical damage and property. Contributions are applied to the procurement reinsurance, risk management, underwriting, payment of claims, establishments of loss reserves and other related expenses.

A member's loss contribution account is charged or credited according to the member's actual loss experience; no obligation is credited for another member's losses. If contributions are in excess of actual expenses and reserves, future contributions are decreased. Should any member have more losses paid on their behalf than contributions covering such losses, credit is extended within the association joint loss fund; such a deficit is repaid by the member in future contributions. The Department's coverage limits are between \$2,000,000 and \$4,000,000 for liability, and between \$10,000 and \$2,000,000 for property, bond, automobile, inland marine and crime.

Related Party Transactions

The Department has entered into various transactions with Grim Printing. A member of the Board is the owner of this company. The total amounts paid by the Department to Grim Printing for operating supplies were immaterial in total for the year ended November 30, 2007.

Shepherd Tri-Township Fire Department
Budgetary Comparison Schedule for the General Fund
For the Year Ended November 30, 2007

	Budget Amounts			Variance Between Actual and Final Budget
	Original	Final	Actual	
Revenues				
Charges for services	\$82,000	\$68,928	\$68,937	\$9
Contributions from local units	150,960	150,960	150,960	-
Contribution from Tribe	-	137,920	137,920	-
Interest	5,500	7,500	7,481	(19)
Gain on investment	2,200	2,200	896	(1,304)
Other revenues	600	1,130	530	(600)
Total revenues	241,260	368,638	366,724	(1,914)
Expenditures				
Public Safety				
Building and grounds	6,000	6,030	3,133	2,897
Computer software support	1,000	1,000	1,000	-
Equipment installation	-	137,920	2,555	135,365
Gas and fuel	5,500	5,500	5,991	(491)
Insurance	35,080	35,080	36,250	(1,170)
Miscellaneous	7,160	2,585	1,330	1,255
Professional services	2,400	2,400	2,055	345
Repair and maintenance	20,770	27,770	23,291	4,479
Salaries and payroll taxes	104,850	91,979	91,914	65
Supplies	14,000	14,000	10,194	3,806
Small equipment	11,000	11,000	13,057	(2,057)
Training	6,750	6,750	5,223	1,527
Uniforms	9,500	9,500	2,388	7,112
Utilities	8,950	8,950	8,092	858
Total expenditures	232,960	360,464	206,473	153,991
Excess of revenues over (under) expenditures	8,300	8,174	160,251	152,077
Fund balance, beginning of year	179,713	179,713	179,713	-
Fund balance, end of year	<u>\$188,013</u>	<u>\$187,887</u>	<u>\$339,964</u>	<u>\$152,077</u>

See accompanying notes to financial statements.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Shepherd Tri-Township Fire Department

We have audited the financial statements of each major fund of Shepherd Tri-Township Fire Department (the Department) as of and for the year ended November 30, 2007, which collectively comprise the Department's basic financial statements and have issued our report thereon dated February 25, 2008. The report on these financial statements was qualified because it is the Department's policy to report their financial statements using the minimum accounting practices prescribed by the Michigan Department of Treasury. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Department's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Department's financial statements that is more than inconsequential will not be prevented or detected by the Department's internal control. We consider the deficiency described as 2007-1 in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Department's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above as 2007-1, is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Department in a separate letter dated February 25, 2008.

Shepherd Tri-Township Fire Department's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Department's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.



Roslund, Prestage & Company, P.C.
Certified Public Accountants

February 25, 2008

Shepherd Tri-Township Fire Department Schedule of Findings and Responses

Finding 2007-1

Finding considered a significant deficiency

Effective for the year ended November 30, 2007, Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

The annual financial statements for the year ended November 30, 2007, required no audit adjustments. The staff of the Department does understand all information included in the annual financial statements; however, we assist in preparing the footnotes to the annual financial statements. We do not recommend any changes to this situation at this time and communicate this as required by professional standards. We believe this meets the definition of a significant deficiency as defined in Statement on Auditing Standards #112.

Client Response

We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years.



Management Letter

Members of the Board
Shepherd Tri-Township Fire Department
Shepherd, Michigan

In planning and performing our audit of the financial statements of the Shepherd Tri-Township Fire Department for the fiscal year ended November 30, 2007, we considered the internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our audit report dated February 25, 2008, on the financial statements of the Shepherd Tri-Township Fire Department.

We will review the status of these comments during our next audit engagement. We have discussed these comments and suggestions with management, and will be pleased to discuss them in further detail at your convenience.

Sincerely,

A handwritten signature in black ink that reads 'Roslund, Prestage & Co, PC'.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

February 25, 2008

Organizational Structure

The size of the Department's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board remain involved in the financial affairs of the Department to provide oversight and independent review functions, including the review of paid invoices, cancelled checks, adjusting journal entries, and bank statements.

Rescission of MCGAA Statement No. 7

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments sets forth the required financial reporting formats for local governments in accordance with generally accepted accounting principles. The Local Audit and Finance Division of the Michigan Department of Treasury is responsible for overseeing local unit compliance. Per the Michigan Committee on Governmental Accounting and Auditing (MCGAA) Statement No. 7, issued by the State Treasurer, omission of the Management's Discussion and Analysis, the Government-Wide Statements and/or Infrastructure Reporting will not result in any sanctions or remediation. As such, the Department currently elects to omit these sections of the GASB 34 reporting format. However, on November 16, 2006, the MCGAA rescinded Statement No. 7 effective for fiscal years beginning after December 15, 2006. Therefore, for the fiscal year-end November 30, 2008, the Department will be required to include the Basic Financial Statements and the Management's Discussion and Analysis as part of their financial statements. We recommend that the Department take a proactive approach to this issue and begin the task of establishing a detailed listing of fixed assets owned by the Department, as well as become familiar with the requirements needed for a Management's Discussion and Analysis.